

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION PURSUANT TO)	
KRS 278.260 OF THE EARNINGS SHARING)	CASE NO.
MECHANISM TARIFF OF KENTUCKY)	2003-00334
UTILITIES COMPANY)	

AND

AN INVESTIGATION PURSUANT TO)	
KRS 278.260 OF THE EARNINGS SHARING)	CASE NO.
MECHANISM TARIFF OF LOUISVILLE GAS)	2003-00335
AND ELECTRIC COMPANY)	

FIRST DATA REQUEST OF COMMISSION STAFF
TO BARRINGTON-WELLESLEY GROUP, INC.

The Barrington-Wellesley Group, Inc. ("BWG"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 20, 2003. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to BWG's "Final Report on the Focused Management Audit of Louisville Gas and Electric's and Kentucky Utilities' Earning Sharing Mechanism" ("BWG Report"), page III-6. Using company job titles, distinguish between middle management, executive management, junior executives, and senior executives at Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU").

2. Refer to the BWG Report, page III-7, the discussion concerning income tax liabilities.

a. Indicate how many years of income tax calculations were reviewed by BWG and state how the number of years to be reviewed was determined.

b. For each year the income tax liability calculations were reviewed, provide the calculated tax liabilities collected from LG&E and KU and the corresponding consolidated tax liability for LG&E Energy Corp. ("LEC") and its parent.

3. Refer to the BWG Report, page III-10, Recommendation No. 1. Explain in detail how naming a single executive as responsible for the integrity of the Kentucky regulated utilities would address the problem identified by BWG, when it is likely the employees below and the management above this individual would have both regulated and non-regulated responsibilities.

4. Refer to the BWG Report, page IV-5. The BWG Report states that the incentive payments in 2002 were at 100 percent or more and that the Short-Term and TIA payouts would have been lower without the merger-guaranteed floor. Indicate what the incentive payouts for the Short-Term and TIA would have been without the merger-guaranteed floor.

5. Refer to the BWG Report, page IV-6, Recommendation No. 1. BWG has recommended that the incentive payments should be reduced if the allowed rate of return is not achieved.

a. In stating that a reduction should occur if the allowed rate of return is not achieved, does BWG mean the 11.5 percent rate of return on equity or anywhere within the deadband? Explain the response.

b. Based on BWG's experience, is this the normal "penalty" assessed for failing to meet target performance? Explain the response.

6. Refer to the BWG Report, page V-8, Recommendation No. 1. Explain in detail how the implementation of a multi-year Earnings Sharing Mechanism ("ESM") based on the current ESM format would resolve the concern that the utilities may be encouraged to shift costs between accounting periods in order to invoke an ESM factor revenue adjustment.

7. Refer to the BWG Report, page VIII-3. BWG states, "The primary influence on cost structure has been implementation of the Value Delivery Team initiative, approved by the Commission in 2000." Provide citations to and quotations from the applicable Orders where the Commission approved the Value Delivery Team initiative in 2000.



Thomas M. Dorman
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Public Service Commission
P. O. Box 615
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DATED: October 6, 2003

cc: All Parties

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